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Agricultural Situation

This Week in Canadian Agriculture 2003

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Report Highlights:

- Canada Announces C\$460 Million In Assistance For Cattle Industry
- Monsanto Urges Ottawa To Continue Approval Process
- Canadian Wheat Board Mulls Court Action To Stop Monsanto
- U.S. Tariffs Shut Out Canadian Wheat
- Improved Moisture Conditions Lend To Increased Production In Western Canada
- Saskatchewan Crops In Good To Excellent Condition
- Alberta And British Columbia Sign Agricultural Policy Framework Implementation Agreement
- Focus On Quality, Variety, Says New CWB Marketing VP
- Alberta Grain Marketing Test Proposal Put On Backburner Due To BSE
- Western Canadian Wheat Growers Suspend Operations
- B.C. Investments Support Wood Product Exports
- ... and MORE!

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

NOTE: *This Week in Canadian Agriculture* was not released for the week of June 9 due to computer upgrades that were implemented during that time.

CANADA ANNOUNCES C\$460 MILLION IN ASSISTANCE FOR CATTLE INDUSTRY: On June 18, Federal, provincial and territorial Ministers of Agriculture announced a national program to provide temporary assistance to help the Canadian cattle and beef industry continue to operate while borders are closed due to Bovine Spongiform Encephalopathy (BSE). The assistance package will be cost-shared by the federal government and participating provinces and territories on a 60-40 basis. The package has two key elements: (1) Measures that will allow producers to receive payments for cattle owned as of May 20, 2003 that have subsequently been sold for slaughter in Canada. The assistance will help compensate producers when the price of cattle falls below a reference price, based on market value in the US. Payments will be on a sliding scale, meaning that government support increases as the average price declines. The percentage of government contribution decreases as the price declines, creating a strong incentive for producers to sell at the best price possible. Producers of other ruminants will also be eligible for payments. (2) Processors will also be offered government incentives to sell or otherwise move surplus meat cuts that were produced after May 20 out of inventory. The measures will be in place until there is a reopening of the U.S. border to beef products, or until the approximately 900,000 cattle on feed as of May 20 have been slaughtered (except for cull cows, veal and other ruminants for which the program will operate until no later than August 31), or until funds for the program are exhausted. The cost-shared funding envelope includes a maximum of \$276 million from the federal government and a maximum of \$184 million for provincial and territorial governments.

BSE-RELATED LAYOFFS AT ALBERTA BEEF PLANT AVERTED BY \$750 MILLION WORK SHARING AGREEMENT: The federal government has announced a C\$10 million (\$750 million) Work Sharing agreement with Lakeside Packers, resulting in the company averting the layoff of 900 employees over Canada's BSE incident. The agreement is effective June 15, 2003 and will last 26 weeks. Work Sharing agreements are funded under the federal Employment Insurance (EI) Program. It is designed to avert temporary layoffs by permitting the payment of EI benefits to eligible clients who agree to work a temporarily reduced workweek. Work Sharing enables employers to retain workers and avoid layoffs during temporary work slowdowns. Lakeside Packers, a division of Lakeside Farm Industries, operates Alberta's largest beef packing plant. The agreement involves 2,450 non-union workers. The parties have agreed to reduce the workweek by 50% for the duration of the agreement. Work Sharing will help the company recover by allowing workers to remain in Brooks, Alberta and keep their jobs while Lakeside services the domestic beef market and awaits the re-opening of the U.S. market to Canadian beef.

MONSANTO URGES OTTAWA TO CONTINUE APPROVAL PROCESS: On June 12, representatives from Monsanto appeared before the Canadian House of Commons Standing Committee on Agriculture. Kerry Preete, Monsanto VP of U.S. Markets, testifying on the importance of allowing Roundup Ready Wheat to proceed through the Canadian regulatory approval process, said, "We believe it is important to have regulatory agencies in Canada, US

and Japan review the food, feed and environmental safety of this product. Successfully completing the regulatory review process will send an important message to our customers around the world that this product has been comprehensively reviewed and is deemed safe. This review will help address questions and concerns raised during customer acceptance discussions." On the issue of market acceptance, Preete indicated that Monsanto was committed to working with the Canadian grain handling industry to "establish an effective segregation system" so that grain production could accommodate both GM and non-GM wheat varieties.

CANADIAN WHEAT BOARD MULLS COURT ACTION TO STOP MONSANTO: According to a June 19 article from the *National Post*, Adrian Measner, president and chief executive of the Canadian Wheat Board (CWB), was cited as telling Reuters on June 18 that the CWB may consider legal action to stop Monsanto Co. from growing genetically modified (GM) wheat in Canada outside limited government-run trials, adding, "We've given strong assurances to our customers that we will make sure this situation is resolved in Canada and we intend to take whatever action necessary to do that." The story says it is the strongest statement the CWB has made to date on how far it will go to prevent GM wheat from being grown in the near future in Canada. Mr. Measner was further quoted as saying, "Having it grown in Canada, it's not an option. The costs are just too horrendous and it needs to be addressed." The CWB asked Monsanto to agree by tomorrow to withdraw its application. Monsanto has not yet formally responded, he said. Monsanto has promised it will not commercialize the wheat until at least some customers accept it and until it can be dealt with separately within the bulk grain handling system.

U.S. TARIFFS SHUT OUT CANADIAN WHEAT: The June 19 edition of *Good Morning Ontario* reported that steep U.S. tariffs will continue to prevent Canadian wheat and durum sales to U.S. millers, and will cost farmers millions in lost sales, the president of the Canadian Wheat Board told Reuters on June 18. Canada will have lost an estimated \$5 million to \$8 million in wheat sales from August 2002 through July 2003, Canadian Wheat Board (CWB) CEO Adrian Measner said, because it has been unable to sell wheat south of the border since the U.S. Commerce Department levied tariffs earlier this year. The duties add C\$21 to the cost of a metric tonne of wheat and C\$36 per tonne of durum. "Customers aren't willing to pick up that large a duty, or take a risk on that large a duty," Measner told Reuters in an interview, adding the CWB is unwilling to drastically discount wheat to make sales.

IMPROVED MOISTURE CONDITIONS LEND TO INCREASED PRODUCTION IN WESTERN CANADA: On June 12, the Canadian Wheat Board (CWB) projected a western Canadian wheat and durum crop of 23.2 million tonnes for the 2003/04 crop year, up from 14.1 million tonnes in 2002/03. The projection for the 2003/04 barley crop is 12.7 million tonnes, up from 6.2 million tonnes in 2002/03. This is a return to normal production levels following two devastating years of drought. "Moisture conditions have improved across most of the Prairies, which is good news for farmers," noted Bruce Burnett, CWB Director of Weather and Crop Surveillance, "We are looking at a recovery from the disaster of the last two years." However, dryness remains a concern in northern areas of Alberta and Saskatchewan. "There hasn't been enough precipitation to offset the lingering effects of the drought in the parts of the north that were the hardest hit," Burnett said. For additional information, visit: <http://www.cwb.ca/en/growing/weather/briefing/index.jsp>

CANADIAN GOVERNMENT TO TACKLE GRASSHOPPERS: The June 16 edition of *Good Morning Ontario*, citing a *Resource News* article, reported that Alberta producers suffering from severe grasshopper infestations have some help in sight. A federal-provincial program will help defray grasshopper control expenses, Canada Ag Minister Lyle Vanclief announced last week. Record numbers of grasshoppers in 2002 meant that an extremely high number of eggs were laid last fall, and that's been followed by ideal hatching conditions

the past two weeks. Damage from the grasshoppers, if left unchecked, could mean C\$80-C\$100 million in crop loss. The 2003 Canada-Alberta Grasshopper Control Program will provide Alberta producers with up to C\$4 per treated acre to use towards grasshopper control. That represents about a third of the total cost, according to Resource News.

SASKATCHEWAN CROPS IN GOOD TO EXCELLENT CONDITION: Crop reporters rate at least three-quarters of most spring and fall crops in good to excellent condition according to Saskatchewan Agriculture, Food, and Rural Revitalization's weekly crop report. Canola crops, showing some damage from flea beetles and wind, are rated as 63% in good to excellent condition, while canary seed crops, affected by low topsoil moisture, are rated as 70% in good to excellent condition. Spring cereals, oilseeds and pulse crops are rated as between two-thirds to three-quarters normal development and one-third to one-quarter behind. Fall rye and winter wheat crops are rated as 68% normal development and 22% ahead of normal. Across the province as a whole, 58% of reporters rate crop land topsoil moisture as adequate, and 47% of reporters rate topsoil moisture on hay and pasture land as adequate. However, moisture and crop conditions deteriorated in central and northern areas during the past week due to hot temperatures combined with strong winds. General rains will be needed soon to prevent crop deterioration and stress. Insects were again the main source of crop damage during the past week – namely, grasshoppers, flea beetles, cutworms, and wire worms. Herbicide and insecticide spraying is underway as weather conditions permit. Some re-seeding is taking place due to insect damage and poor emergence. Other more isolated sources of crop damage include drought, wind, hail, flooding, frost, disease, and gophers.

ONTARIO CROP CONDITIONS: According to the June 11 Ontario Ministry of Agriculture and Food (OMAF) Field Crop Report, approximately 70% of intended acreage of soybeans have been planted. Actual planting in the province widely ranges, however, as planting ranges from over 90% complete to less than 30% planted in some areas. Corn planting has ceased across the province with the exception of some late-planted silage. Provincial estimates put intended corn acreage planted at 90-95% but some areas on heavy soils are less than 25% planted of the intended corn acreage. OMAF notes that reports of cutworm, wireworm and European chaffer damage continue to come in. Wheat Spindle Streak Mosaic Virus (WSSMV) is a new disease showing up in Ontario winter cereals, report OMAF Field Crop Specialists. Weather conditions have been ideal for infection and disease development. Most stands of spring canola are good and rapidly advancing. Flea beetle pressure is high in some areas and winter canola fields with a heavy crop canopy are at risk of developing sclerotinia white mold.

ALBERTA SIGNS AGRICULTURAL POLICY FRAMEWORK IMPLEMENTATION AGREEMENT: In a June 4 Government of Canada, Government of Alberta joint news release, Agriculture and Agri-Food Minister Lyle Vanclief and Alberta Deputy Premier and Minister of Agriculture, Food and Rural Development Shirley McClellan announced the signing of an agreement to implement the Agricultural Policy Framework (APF) in Alberta. New APF programming in the areas of environment, food safety and quality, renewal and science and innovation in Alberta is valued at almost C\$221.5 million. Business risk management funding will be demand driven. However, Canada and Alberta are committing almost C\$70 million over three years to support the transition from existing programs to the new business risk management programs. For a complete list of programs and individual funding allocations, see the following backgrounder: <http://www.agr.gc.ca/cb/news/2003/n30604fe.html>

B.C. SIGNS APF IMPLEMENTATION AGREEMENT: In a joint Government of Canada, Government of British Columbia news release dated June 13, new programming and a five-year commitment in federal and provincial funding will improve and strengthen B.C. farming under an agreement signed by Agriculture and Agri-Food Minister Lyle Vanclief and B.C. Minister of Agriculture, Food and Fisheries John van Dongen. The agreement will implement

the national Agricultural Policy Framework (APF). The APF combines five key elements in a single solid platform: (1) Business risk management (BRM) programming, to be funded by demand, includes a new stabilization/disaster program and improves coverage under crop insurance; (2) C\$30.58 million in support for environmental farm planning will help producers identify and address potential environmental risks; (3) C\$17.66 million will enhance food safety and quality systems through initiatives such as a provincial on-farm food safety program; (4) Renewal programs of C\$8.83 million will support producers in areas such as business management and help new farmers enter the field; (5) C\$1.6 million in strategic investment, including science and innovation programs aimed at increasing investment and returns in the entire bio-based economy. New APF programming in the areas of environment, food safety and quality, renewal and science and innovation in British Columbia is valued at more than \$60 million. Funding for the BRM programs will be driven by demand. Canada and British Columbia are committing more than \$32 million over three years to support the transition from existing safety net programs to the new business risk management programs. For a list of programs and individual funding allocations, see the following backgrounder: <http://www.agr.gc.ca/cb/news/2003/n30613be.html>

CANADIANS EATING MORE GRAIN-BASED PRODUCTS: According to the June 13 edition of *Good Morning Ontario*, Canadians are eating more pasta, bakery products and cereal-based snacks, citing Statistics Canada's 2002 Food Consumption report. The demand has resulted in the consumption of grain-based products reaching 65.6 kilograms per person in 2002, up substantially from 53.3 kilograms per person a decade ago. Red meat consumption totalled 27.1 kilograms per person in 2002, down from 27.6 kilograms in 2001. This decrease is due mainly to declining beef and pork consumption. Beef consumption fell 2.2% to 13.3 kilograms per person. Pork consumption, at just over 12.0 kilograms per person in 2002, dropped 2.5% from 2001. In 2002, poultry consumption reached 13.6 kilograms per person, up 23.5% from a decade ago. Each Canadian consumed more than 11.0 kilograms of chicken. Despite the growth in chicken consumption, beef remains the most popular choice of meat for Canadians. For additional information, visit: <http://www.statcan.ca/Daily/English/030612/d030612e.htm>

FOCUS ON QUALITY, VARIETY, SAYS NEW CWB MARKETING VP: The June 12 *Western Producer*, citing the new head of marketing for the Canadian Wheat Board (CWB), reported that Canada should continue to focus on being the top supplier of high quality wheat to the world market. "I think we have to recognize that Canada is far more competitive in the quality portion of the marketplace," Ward Weisensel said in an interview following his June 9 appointment as the board's executive vice-president of marketing. Some grain industry officials have suggested that for wheat exports to grow, Canada should reduce its emphasis on quality and produce more medium and lower quality wheats. Weisensel said there's no reason Canada can't do both. "I think we need to be in both marketplaces and we have to provide farmers with the alternatives that are available based on what the marketplace is willing to pay." He said it's also crucial that Canada's reputation for quality isn't compromised by the introduction of genetically modified wheat against the wishes of foreign buyers. Weisensel will move into his new position June 16, taking over the job formerly held by Adrian Measner, now the board's chief executive officer. Weisensel, who grew up on a farm in Saskatchewan, began working for the board in 1991 as a policy adviser and has held several positions since then. His most recent job was vice-president of transportation and country operations.

ALBERTA GRAIN MARKETING TEST PROPOSAL PUT ON BACKBURNER DUE TO BSE: A planned meeting between Alberta agriculture minister Shirley McClellan and the Canadian Wheat Board (CWB) to talk about the province's proposed test open market for CWB grains has fallen victim to bovine spongiform encephalopathy (BSE), reported the June 12 edition of the *Western Producer*. McClellan was to meet with CWB directors at their regular board

meeting in Winnipeg last week, but the meeting was cancelled because of demands on the minister's time arising from the BSE issue. A spokesperson for McClellan said the open market test is "something we're still interested in but it's on the back burner for now." CWB chair Ken Ritter said the board also hopes to reschedule the meeting and will wait to hear from McClellan's office about possible dates. The Alberta government has proposed implementing an open market for wheat and barley grown in that province for a 10-year test period. Farmers would be free to sell their wheat and barley to the CWB, grain merchants and brokers or directly to foreign buyers or domestic processors. Provincial officials say the plan can work only with the co-operation of the CWB and so the government is anxious to discuss the principles and mechanics of the plan with the board.

WESTERN CANADIAN WHEAT GROWERS SUSPEND OPERATIONS: In a June 3 letter, the Western Canadian Wheat Growers Association (WCWGA) Board of Directors, citing changing demographics, declining wheat acres, and reduced membership, announced that the WCWGA was suspending official operations, after 33 years of existence. The letter notes that all operational aspects of the organization will be terminated as of June 30, 2003.

B.C. INVESTMENTS SUPPORT WOOD PRODUCT EXPORTS: The British Columbia provincial government is investing C\$8.6 million in 35 projects to strengthen existing markets for B.C. forest products and to build new opportunities, B.C. Forests Minister Michael de Jong announced on June 11. "The funding for these projects reflects our New Era commitment to apply one percent of direct stumpage revenues to aggressively market B.C. forest practices and products around the world," said de Jong. "B.C. exports 95% of its forest products to the U.S. and Japan. These markets will continue to be extremely important, but the softwood trade dispute and the weak Japanese economy highlight the importance of exploring the potential of new foreign markets." The projects are public-private partnerships with contributions from industry and the federal government that increase the total value to C\$20 million. The province is funding the projects through Forestry Innovation Investment Ltd. (FII). Formed in 2002, FII is the provincial government's investment mechanism for increasing the value of forest assets through applied research, product development and international marketing activities.

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